

Tax Laws Amendment (2004 Measures No. 7) Bill 2004

On 9 February 2005, the Senate referred this bill to the Committee for inquiry and report by 7 March 2005. While the bill deals with a range of matters, matters targeted for special attention are in Schedules 1 and 5 of the bill. Details are listed below.

Schedule 1 of the bill proposes to allow an entrepreneurs' tax offset of 25 per cent on income tax liabilities attributable to business income where the business has an annual turnover of \$50,000 or less. The proposed offset is intended to assist very small businesses in the Simplified Taxation System. Some of the issues identified for further investigation include:

- whether Schedule 1 measures pose a threat to the tax base by opening significant tax avoidance opportunities;
- whether Schedule 1 measures create an incentive for a taxpayer to split income between different taxation entities (e.g. a company or a partnership);
- whether the grouping rules for the Simplified Taxation System are sufficient to prevent tax avoidance given that they are designed to operate from a much higher threshold of turnover; and
- whether the measures in Schedule 1 will be appropriately targeted to entrepreneurial activity.

Schedule 5 of the bill is intended to provide a tax incentive for petroleum exploration in 'designated frontier areas'. Exploration expenditure, within certain limitations, will be uplifted to 150 per cent, with this amount being deductible for the purposes of petroleum resource rent tax. One issue identified for investigation is the cost and effectiveness of the proposed tax concessions in encouraging petroleum exploration in remote offshore areas.

Written submissions are invited and should be sent to:

The Secretary, Senate Economics Legislation Committee, Suite SG.64, Parliament House Canberra ACT 2600.

The closing date for submissions is **Thursday, 24 February 2005**.

The Committee requests that where possible, submissions should also be provided by email to economics.sen@aph.gov.au, preferably as MS Word 97 or RTF format documents. Notes to assist in preparing submissions are available from the website http://www.aph.gov.au/senate/committee/wit_sub/index.htm or the Secretariat (ph: 02 6277 3540, fax: 02 6277 5719, e-mail economics.sen@aph.gov.au).

Once the Committee accepts your submission, it becomes a confidential committee document and is protected by Parliamentary Privilege. You must **not** release your

submission without the Committee's permission. If you do, it is not protected by Parliamentary Privilege. At some stage during the inquiry, the Committee normally makes submissions public. Please indicate if you want your submission to be kept confidential.

If you need any further information, contact Mr Peter Hallahan, Committee Secretary, on (02) 6277 3540 (phone), (02) 6277 5719 (fax) or by email to economics.sen@aph.gov.au.